

Department of the Treasury

Treasury Inspector General for Tax Administration



Office of Audit Fiscal Year 2001 Audit Plan

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Fiscal Year 2001 Annual Plan

Executive Overview

The Treasury Inspector General for Tax Administration's (TIGTA) goal is to promote efficient and effective Internal Revenue Service (IRS) tax administration programs and to prevent and detect fraud, waste, and abuse. The TIGTA's Office of Audit has developed a comprehensive audit plan for Fiscal Year (FY) 2001 to measure the IRS' progress and success in executing these programs.

As the nation's tax administrator, the IRS collects 95 percent of federal tax revenues. This task is carried out in an environment where providing customer service and fairly enforcing tax laws go hand in hand. In FY 1999, the IRS collected a record \$1.9 trillion, processed more than 200 million tax returns, and assisted more than 100 million taxpayers. The IRS also implemented tax law changes and managed over 700 office locations.

The IRS Restructuring and Reform Act of 1998 (RRA 98) mandated that the IRS restructure the organization and revamp business practices to better serve taxpayers. Many of these modernization efforts will be underway in FY 2001. New technology to correct deficient computer systems is also being developed, but the IRS is still in the early stages of modernizing its information and computer systems. This modernization effort is expected to continue for about 10 years.

While the IRS is struggling to implement the reorganization plans, replace antiquated computer systems, comply with recent legislation (including the RRA 98 and the Government Performance and Results Act of 1993 (GPRA)), it must continue the business of serving taxpayers. At the same time, security of both taxpayer data and the IRS computer systems are of paramount importance.

Office of Audit's program supports initiatives involving information technology programs, financial reviews, tax filing season activities, GPRA implementation, customer service, taxpayer protection and rights, and other critical IRS activities. In addition, the IRS Strategic Plan was taken into consideration as part of the Office of Audit's audit planning efforts. Many of the audits will also assess the IRS' success in handling issues that TIGTA has identified as major challenges facing IRS management.

The Mission and the Organization

The RRA 98 established the TIGTA with the powers and authorities given to other Inspector General organizations, under the Inspector General Act, with its focus devoted entirely to the IRS. This authority charges the TIGTA with conducting independent and objective audits, evaluations, and investigations of the IRS' programs and activities. The TIGTA is organizationally placed within the Department of the Treasury, but is independent of the Department and all other offices and agencies within the Department. The TIGTA is committed to providing timely, useful, and reliable information and advice to IRS officials, including its Chief Counsel, the IRS Oversight Board, the Congress, and the public.

TIGTA's Office of Audit promotes the sound administration of the nation's tax laws through comprehensive, independent performance and financial reviews of the IRS' programs, operations, and activities to: assess efficiency, economy, effectiveness, and program accomplishments; ensure compliance with applicable laws and regulations; and detect and deter fraud, waste, and abuse.

Under the leadership of the Inspector General, the Deputy Inspector General for Audit (DIGA) is responsible for the Office of Audit. Four Associate Inspectors General for Audit (AIGA), who are aligned around the IRS' core business activities, report to the DIGA. The four AIGAs cover 1) Information Systems Programs; 2) Headquarters Operations and Exempt Organizations Programs; 3) Wage and Investment Income Programs; and 4) Small Business and Corporate Programs. In addition, a Director, Modernization reports directly to the DIGA and was created to monitor the implementation or "standing up" of the new IRS organization. Please see Appendix IV for the Office of Audit organization chart.

The AIGAs advise the DIGA on the major risks facing the IRS in their respective program areas, and propose a national audit plan annually based on perceived risks, stakeholder concerns, and follow-up reviews of previously audited areas with significant control weaknesses. In addition, the AIGAs maintain liaison and working contact with applicable IRS executives, Treasury and General Accounting Office (GAO) officials, and congressional staffs to keep apprised of operating conditions and opportunities to provide consultant and advisory services on areas of potential management improvement.

Audit Program for Fiscal Year 2001

The annual audit plan communicates our audit priorities to the IRS, the Congress, and other interested parties. Many of the activities described in the Audit Plan address the fundamental goals related to the IRS' mission to administer its programs effectively and efficiently.

The Office of Audit's FY 2001 Audit Plan is organized around the IRS' core business activities. Emphasis is placed on the statutory coverage imposed by the RRA 98 and other statutory authorities and standards involving computer security, taxpayer rights and privacy issues, and financial statement audits. The "standing up" (or implementation of the restructured organization) of each IRS business unit will also be closely analyzed to ensure that important programs are properly implemented and customer service is improved.

The balance of the Office of Audit's body of work addresses both major management issues facing the IRS, as well as areas of concern to the Congress and the IRS Commissioner. The Office of Audit's identification of the major management challenges facing the IRS in FY 2001 is listed in Appendix I.

The Office of Audit's discretionary audit coverage was identified through a comprehensive, high-level risk assessment process, which was designed to prioritize workload by focusing on the areas of greatest risk to the IRS. The risk assessment process is used to integrate professional judgment into assessing the probability that adverse conditions or events may occur. This process applies risk factors to key auditable areas in the IRS, and documents and summarizes results to aid the Office of Audit management in selecting areas for coverage. Risk factors are the criteria used to identify the relative significance of, and the likelihood that, conditions or events may occur that adversely affect the organization. Some of the risk factors used in evaluating the risks associated with the IRS' auditable areas are: stakeholder concerns, impact of new programs and tax legislation, reliability of internal control systems, and past audit reviews.

Risk factors for each auditable area are assigned a numeric ranking based on high, medium, or low risk. In choosing areas for coverage, the Office of Audit management primarily focuses on the areas with the highest risk ranking. Input from TIGTA executives and top-level IRS management, current workload, and other factors are considered before a final decision is made.

Office of Audit's Program Areas

The following narratives provide a brief description of the Office of Audit's FY 2001 Audit Program.

Information Systems Programs

Modernization of the IRS' computer systems and security of taxpayer information have been continuing major concerns to both the IRS and its stakeholders. For more than a decade, the IRS attempted to modernize its outdated tax systems but consistently experienced major setbacks. While the IRS has made progress recently in improving the management of its systems modernization program through the implementation of a new organizational structure and completion of its Modernization Blueprint, the area remains a major area of concern for many stakeholders.

For example, the IRS realizes that while the development of new technology evolves, existing systems and operations must continue. Improvements must be made to meet the day-to-day needs of tax administration and to demonstrate to taxpayers the IRS' commitment to improved service.

Meanwhile, computer hackers continue to target government computer systems and the business world, making computer security even more challenging. The IRS Commissioner has stated that "protecting taxpayer information and the systems used to deliver services to taxpayers are key to the success of a customer-focused IRS." In the past, the security of taxpayer data has been an Achilles heel for the IRS, particularly in the area of unauthorized "browsing" of taxpayer records. Recently, TIGTA reports have identified serious weaknesses in the IRS' computer systems that put sensitive, personal tax information at risk.

Overall, the work performed in the Information Systems Programs Unit will position TIGTA to meet the RRA 98 requirement to report annually on the adequacy and security of IRS technology. A complete list of the Unit's planned audits and audit objectives is included in Appendix V.

Headquarters Operations and Exempt Organizations Programs

A priority activity of the Office of Audit's Headquarters Operations and Exempt Organizations Programs Unit will be the performance of statutory audits that were imposed by the RRA 98. These audits will include IRS activities concerning disclosure of information to taxpayers; restrictions on the use of enforcement statistics; and processing of liens, levies, and seizures. Additional high-priority audit work relating to the IRS' financial statements, contracts, and implementation of the GPRA will be performed.

Further work will be conducted in the following IRS program areas: Tax-Exempt Organizations and Government Entities (TE/GE), Criminal Investigations (CI), Headquarters Operations, and Agency-Wide Shared Services. Planned audits will address issues involving TE/GE and CI modernization efforts, implementation of Webster Report recommendations, resource planning efforts for TE/GE and CI, imaging of Exempt Organizations returns, money laundering and abusive trusts, the administration of Appeals and Counsel offices, and the Taxpayer Advocate program.

Ten of the Unit's planned audits are in response to the RRA 98 statutory reporting requirements. Five audits address statutory requirements related to the IRS' financial statements and other financial reports. A complete list of the Unit's planned audits and audit objectives is included in Appendix VI.

Wage and Investment Income Programs

The Wage and Investment Income Programs Unit will assess the IRS' program for assisting and servicing approximately 90 million taxpayers filing simple tax returns, (i.e., reporting no business, farm, rental, or international income or activities). Almost all income for this group of taxpayers is reported by third parties, and the vast majority of taxes are collected through third-party withholding. The IRS' program is divided into three primary sections: Customer Assistance Research and Education (CARE), Customer Account Services (CAS), and Compliance.

Generally, the Office of Audit reviews will focus on the IRS' efforts to help taxpayers comply with laws and regulations. Audits of the CARE function will evaluate the timeliness and accuracy of the IRS' services to taxpayers, including face-to-face contacts, telephone calls, and automated systems provided for taxpayer use. For the CAS function, Office of Audit reviews will center on processing tax returns and payments, answering taxpayers' tax law and account questions, and ensuring that taxpayers' accounts are accurately settled. Audits of the Compliance function will address IRS efforts to protect

existing revenue from loss or theft, and to ensure taxpayers report and pay the proper amount of tax.

A complete list of the Unit's planned audits and audit objectives is included in Appendix VII.

Small Business and Corporate Programs

The IRS services about 40 million self-employed or small business taxpayers, and approximately 210,000 large and mid-size corporations, subchapter S corporations, and partnerships with over \$5 million in assets. The Small Business and Corporate Programs Unit will concentrate on assessing the IRS' efforts in keeping these self-employed taxpayers, small businesses, and large and mid-size corporations compliant with tax laws and regulations.

These groups of taxpayers have much more complex dealings with the IRS than the wage and investment income taxpayers. The small business sector has, for example, numerous routine transactions with the IRS each year. The sector also pays taxes of nearly \$559 billion, which represents approximately 40 percent of the revenues collected by the IRS. The probability for errors in this group is high because of the lack of withholding or information reporting and the large number of cash transactions.

Taxpayers classified in the large and mid-size business sector also have unique needs. These businesses are responsible for an annual tax liability of over \$700 billion. These businesses have many complicated issues, such as tax law interpretation, international affairs, engineering concerns, tax shelters, accounting principles, and regulatory issues.

In addition, business conducted via electronic means (known as e-commerce) is increasing significantly. E-commerce introduces new aspects around issues, such as where transactions are taxed, investment depreciation and expenses, and information trails.

Overall, the work performed in this Unit will focus on compliance issues, IRS customer service efforts, returns processing issues, and other tax aspects that are unique to the self-employed, small, mid-size and large business taxpayers. A complete list of the Unit's planned audits and audit objectives is included in Appendix VIII.

Major Management Challenges Facing the Internal Revenue Service

The Treasury Inspector General for Tax Administration's Office of Audit believes the major management challenges facing the Internal Revenue Service in Fiscal Year 2001 are:

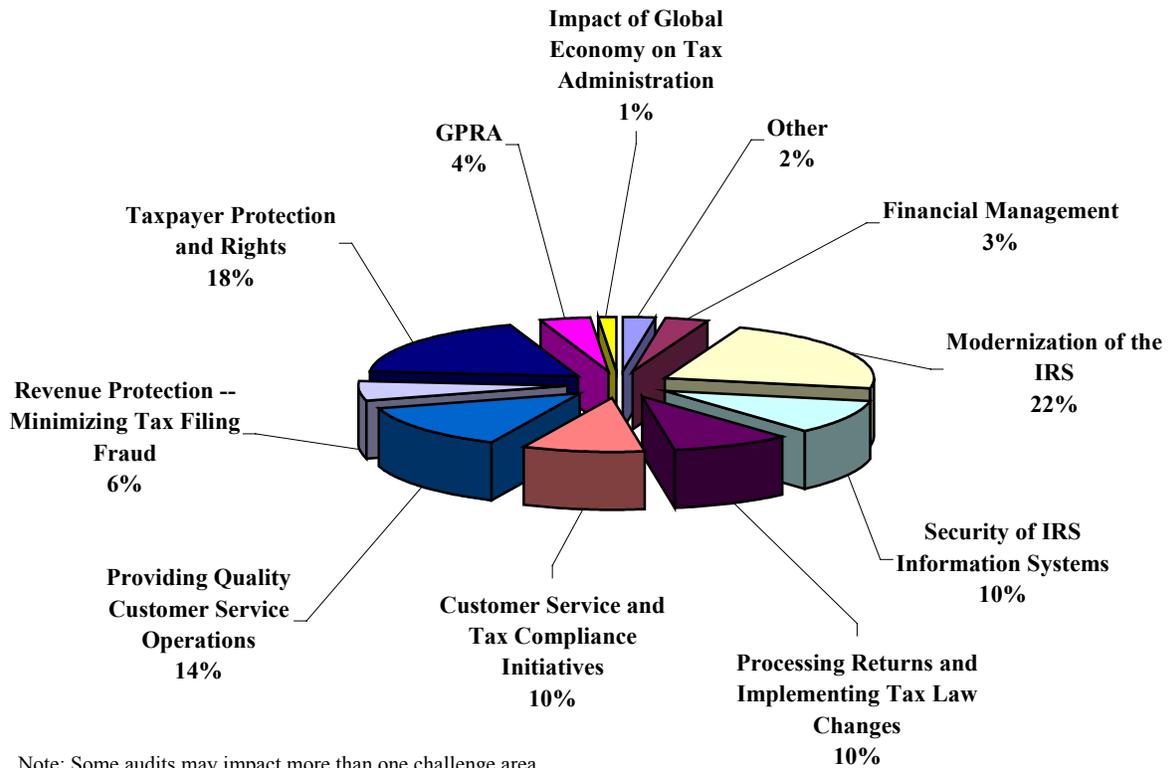
- Modernization of the Internal Revenue Service
 - Organizational Restructuring
 - Technology Modernization
- Financial Management
- Security of the Internal Revenue Service's Information Systems
- Processing Returns and Implementing Tax Law Changes during the Tax Filing Season
- Customer Service and Tax Compliance Initiatives
- Providing Quality Customer Service Operations
- Revenue Protection – Minimizing Tax Filing Fraud
- Taxpayer Protection and Rights
- Implementation of the Government Performance and Results Act of 1993
- Impact of the Global Economy on Tax Administration

Our latest summary of these issues, including comments on progress the IRS has made toward resolving the challenge or the vulnerabilities that the IRS continues to face in achieving results, may be viewed on the Internet at the following address:

http://www.treas.gov/tigta/major_challenge_letter-armey.htm.

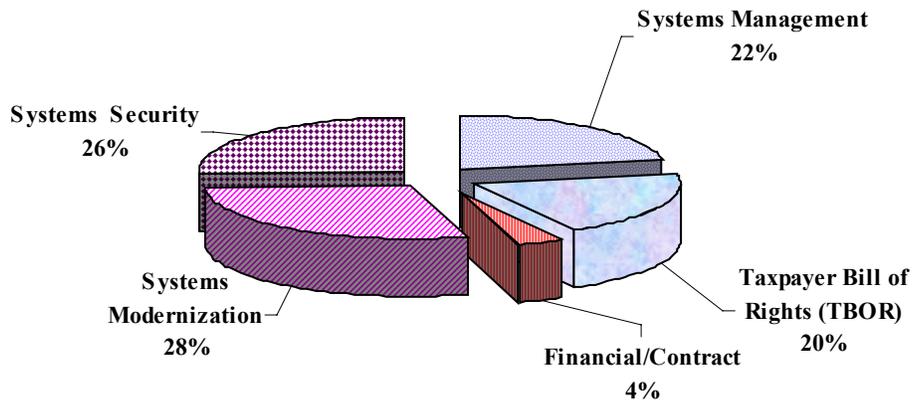
Office of Audit's Fiscal Year 2001 Staff Day Allocation

Major Challenges Facing the IRS

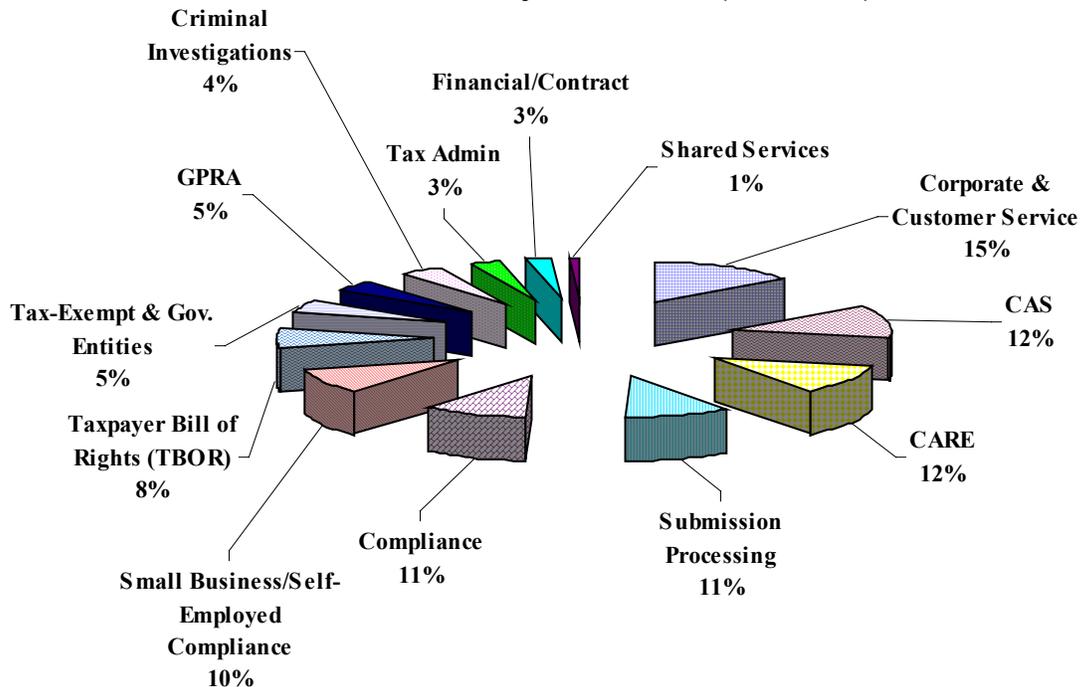


Office of Audit's Fiscal Year 2001 Staff Day Allocation

Statutory Audits (26.5%)

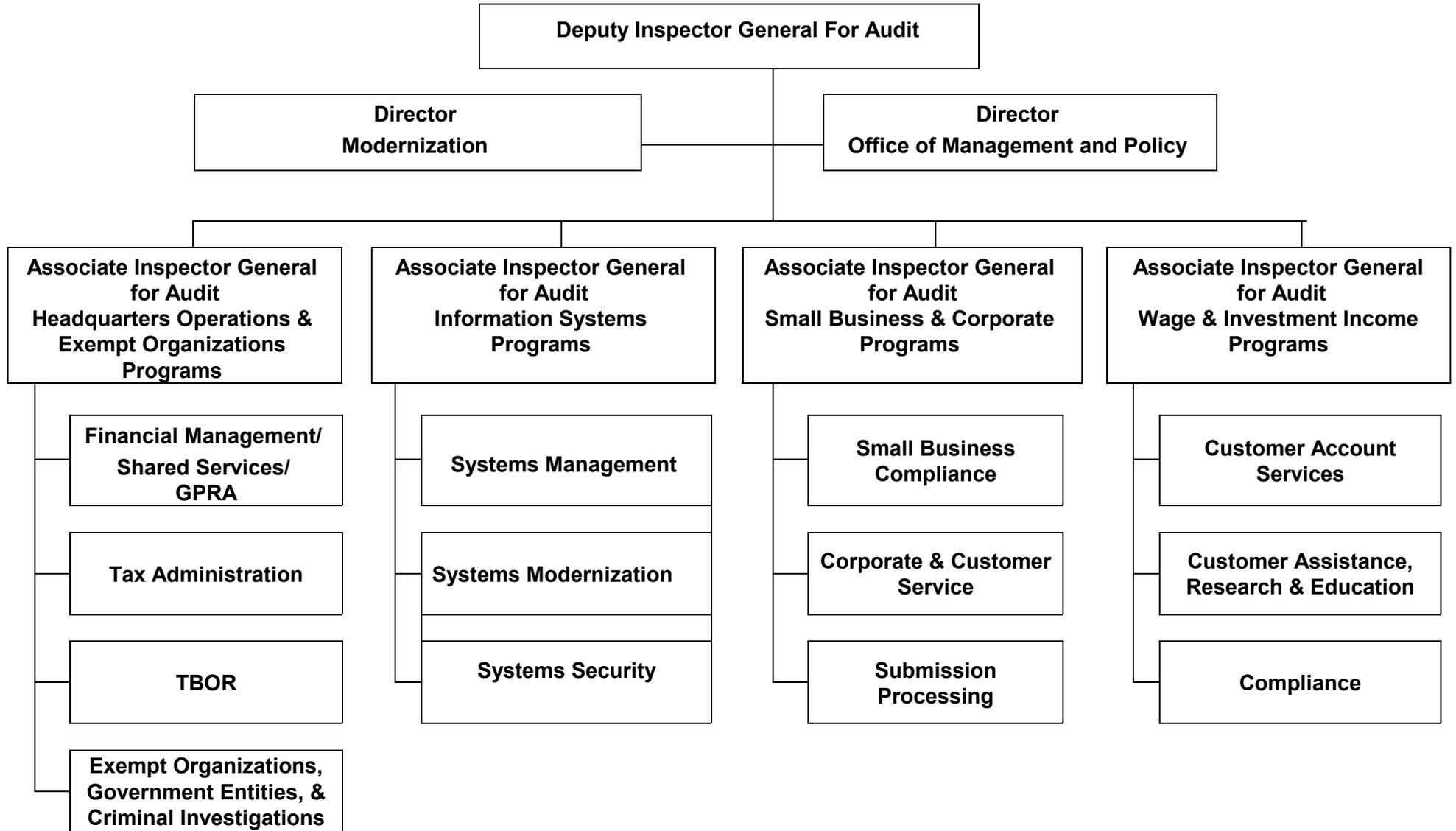


Discretionary Audits (73.5%)



ORGANIZATION CHART
Treasury Inspector General For Tax Administration
Office of Audit

Appendix IV



List of Planned Audits

Information Systems Programs

Within the Information Systems Programs, all but one review is considered statutory because of the Restructuring and Reform Act of 1998 (RRA 98) requirement to report annually on the adequacy and security of the Internal Revenue Service's (IRS) technology. Audits are selected based on a risk-assessment process.

Telecommunications – Phase I (Statutory Review)

Audit Objective: Evaluate the management controls over the Information Systems' Telecommunication Program. Due to the scope of this program the audit will be conducted in phases, and will include the capacity management and performance monitoring program, the billing process for voice and data services, the migration to the new Federal Telecommunication System (FTS) 2001 phone system, and the effectiveness of the Telecommunication Integration Services Delivery process. *(Carryover from Fiscal Year (FY) 2000)*

Telecommunications – Phase II (Statutory Review)

Audit Objective: Evaluate the management controls over the Information Systems' Telecommunication Program. Due to the scope of this program the audit will be conducted in phases, and will include the capacity management and performance monitoring program, the billing process for voice and data services, the migration to the new FTS 2001 phone system, and the effectiveness of the Telecommunication Integration Services Delivery process.

Telecommunications – Phase III (Statutory Review)

Audit Objective: Evaluate the management controls over the Information Systems' Telecommunication Program. Due to the scope of this program the audit will be conducted in phases, and will include the capacity management and performance monitoring program, the billing process for voice and data services, the migration to the new FTS 2001 phone system, and the effectiveness of the Telecommunication Integration Services Delivery process.

Tier II Consolidation (Statutory Review)

Audit Objective: Determine whether the mid-range (Tier II) consolidation effort is being effectively planned, controlled, tested, and staffed.

Notice Print Consolidation (Statutory Review)

Audit Objective: Determine whether the Notice Print Consolidation effort is being

effectively planned, controlled, tested, and staffed.

System Access Controls Over the Corporate Systems Modernization/Mirror Image Acquisition Mainframes at Detroit Computing Center (Statutory Review)

Audit Objective: Evaluate the system software and system access controls over the Corporate Systems Modernization/Mirror Image Acquisition mainframe computers located at the Detroit Computing Center.

Encryption Policies and Implementation (Statutory Review)

Audit Objective: Evaluate the IRS' encryption policies and verify that they are properly implemented. The scope of this review will include the Data Encryption Standard devices used to encrypt data transmitted across the IRS' network.

Operating System Controls Over the Telefile System (Statutory Review)

Audit Objective: Evaluate the access and operating system controls over the Telefile System.

Operating System Controls Over the Automated Underreporter System (Statutory Review)

Audit Objective: Evaluate the access and operating system controls over the Automated Underreporter System.

Operating System Controls in the Service Center Replacement System (Unisys) Mainframe (Statutory Review)

Audit Objective: Evaluate the operating system controls within the IRS' Service Center Replacement System mainframes.

Compliance with the Clinger-Cohen Act (Statutory Review)

Audit Objective: Assess the IRS' compliance with the provisions of the Clinger-Cohen Act.

System-Level Controls – Mainframe Computer Used to Process Master File, Corporate Files On-Line, and Information Returns Processing Applications (Statutory Review)

Audit Objective: Evaluate the access and operating system controls over the mainframe computer system. *(Carryover from FY 2000)*

General Controls Over the Internal Revenue Service's Automated Collection Systems/Integrated Collection Systems/ Print System (Statutory Review)

Audit Objective: Evaluate the general system controls in the Integrated Collection Systems/Automated Collection Systems/ Print System (I/A/P) consolidated environment, and assess the IRS' progress in meeting appropriate security requirements for the I/A/P production systems. *(Carryover from FY 2000)*

System-Level Controls – Security and Communications (Statutory Review)

Audit Objective: Evaluate the access and operating system controls over the Security and Communication mainframe computer system.
(Carryover from FY 2000)

Adequacy of Virus Controls (Follow Up) (Statutory Review)

Audit Objective: Determine whether corrective actions to prior audit report findings were sufficient to ensure the IRS can effectively detect and deter virus attacks.

Local Area Network Access Controls (Statutory Review)

Audit Objective: Determine whether controls are adequate to detect and deter inappropriate accesses.

Disaster Recovery Plans for Internal Revenue Service Computing Centers (Statutory Review)

Audit Objective: Determine whether the IRS has adequate plans to recover from potential disasters at its computing centers.

President's Council on Integrity and Efficiency – Critical Infrastructure (Statutory Review)

Audit Objective: Determine whether the IRS effectively implemented cyber controls to protect its critical infrastructure.

Overall Assessment of the Internal Revenue Service's Information Systems Security (Statutory Review)

Audit Objective: Assess security of the IRS information systems based on results of prior audits.

Adequacy of the Internal Revenue Service Certification and Accreditation Program (Follow Up) (Statutory Review)

Audit Objective: Determine whether the IRS took effective actions to correct weaknesses in its certification and accreditation program.

Physical Security (Statutory Review)

Audit Objective: Determine whether physical security is adequate to protect taxpayer data, the IRS investment in hardware and software, and human resources.

Security over the Internal Revenue Service's Use of the Internet (Statutory Review)

Audit Objective: Evaluate the security of the use of the Internet by IRS employees. *(Carryover from FY 2000)*

The Internal Revenue Service's Internet Security Policy and Program (Statutory Review)

Audit Objective: Evaluate the security of the IRS public website, *The Digital Daily*. *(Carryover from FY 2000)*

Evaluation of the Internal Revenue Service's Security Backbone (Statutory Review)

Audit Objective: Evaluate the adequacy of components of the IRS security backbone, including firewalls, routers, remote access, authentication, and intrusion detection.

Security over the Department of Health and Human Services Data Maintained by the Internal Revenue Service (Statutory Review)

Audit Objective: Determine whether the IRS is maintaining adequate security over Federal Case Registry data received from the Department of Health and Human Services. *(Carryover from FY 2000)*

Monitoring and Performance Measurement - Mainframe (Statutory Review)

Audit Objective: Assess the efficiency, economy, and effectiveness of the IRS' efforts to establish a capacity management and performance monitoring program for mainframe (Tier I) and mid-range (Tier II) computers. *(Carryover from FY 2000)*

Development of the Customer Communications Project – Fiscal Year 2002 Release (Statutory Review)

Audit Objective: Evaluate the management of the project and the IRS' oversight of Prime Systems Integration Services Contract (PRIME) deliverables.

Implementation of the Customer Communications Project – Fiscal Year 2001 Release (Statutory Review)

Audit Objective: Evaluate the management of the project and the IRS' oversight of PRIME deliverables.

Review of the New Information Systems Organization (Statutory Review)

Audit Objective: Assess the efficiency and effectiveness of the restructured Information Systems (IS) Organization.

Assessment of the Implementation of Key Processes (Statutory Review)

Audit Objective: Assess whether the IRS has implemented the key processes necessary to effectively and efficiently produce modernization projects.

Review of Office of Information Resources Management (Statutory Review)

Audit Objective: Determine whether controls over the Office of Information Resources Management's Office of Financial Planning and Budget are sufficient to provide for adequate strategic planning, budget development, IS program funding, and accurate accounting of IS operations and resources.
(Carryover from FY 2000)

Management Controls in the Office of Strategic Planning and Client Services (Statutory Review)

Audit Objective: Determine if the appropriate plans, controls, policies, and procedures are in place for the Office of Strategic Planning and Client Services to stand up and fulfill its mission. (Carryover from FY 2000)

Development of Correspondence and Document on Demand Imaging Project (Statutory Review)

Audit Objective: Evaluate the management of the Correspondence and Document on Demand Imaging Project and the IRS' oversight of PRIME deliverables.

Development of Customer Relationship Management – Examination Project (Statutory Review)

Audit Objective: Evaluate the management of the Customer Relationship Management – Examination Project and the IRS' oversight of PRIME deliverables.

Development of Customer Relationship Management Core Project (Statutory Review)

Audit Objective: Evaluate the management of the Customer Relationship Management Core Project and the IRS' oversight of PRIME deliverables.

Comparison of Systems Modernization to Previous Internal Revenue Service Efforts (Statutory Review)

Audit Objective: Assess whether the IRS has improved its ability to modernize systems compared to prior efforts.

Assessment of the Internal Revenue Service's Overall Modernization of Computer Systems (Statutory Review)

Audit Objective: Assess the IRS' overall effort at modernizing its computer systems, including projects outside of Information Technology Investment Account Modernization funds.

Internal Revenue Service's Oversight of the Prime Systems Integration Services Contract – Phase II (Statutory Review)

Audit Objective: Determine if controls over short-range planning, program management, independent assurance, and performance monitoring activities are adequate for the IRS' oversight of the PRIME contract.
(Carryover from FY 2000)

Development of E-Services Project (Statutory Review)

Audit Objective: Evaluate the management of the E-Services Project and the IRS' oversight of PRIME deliverables.

Development of Enterprise Integration and Test Environment Project (Statutory Review)

Audit Objective: Evaluate the management of the Enterprise Integration and Test Environment Project and the IRS' oversight of PRIME deliverables.

Development of Enterprise Systems Management Project (Statutory Review)

Audit Objective: Evaluate the management of the Enterprise Systems Management Project and the IRS' oversight of PRIME deliverables.

Assessment of Prime Systems Integration Services' Delivery of Goods and Services (Statutory Review)

Audit Objective: Assess whether PRIME is delivering the goods and services requested by the IRS.

Information Systems Reports With Unimplemented Corrective Actions (Statutory Review)

Audit Objective: Assess the relevance and status of unimplemented corrective actions in Information Systems. *(Carryover from FY 2000)*

Review of the Security and Administration of the Internal Revenue Service's Alternative Signature Initiatives (Statutory Review)

Audit Objective: Evaluate the security and administration of the IRS' alternative signature initiatives using Personal Identification Numbers to increase the volume of electronically filed tax returns. *(Carryover from FY 2000)*

Review of the Practitioner Secure Messaging Prototype (Statutory Review)

Audit Objective: Determine whether IRS management ensured that the Practitioner Secure Messaging Prototype could be effectively transitioned to the IRS modernization development activities conducted by the PRIME contractors. *(Carryover from FY 2000)*

Security Controls — Brooklyn District (Statutory Review)

Audit Objective: Determine whether Brooklyn District has effective security controls to safeguard information. *(Carryover from FY 2000)*

The Internal Revenue Service's Use and Security of E-Mail (Statutory Review)

Audit Objective: Determine whether management has adequate controls for ensuring that employees do not misuse the e-mail system. *(Carryover from FY 2000)*

Security Controls — Northern California District (Statutory Review)

Audit Objective: Determine whether Northern California District had effective controls to safeguard information. *(Carryover from FY 2000)*

Controls Over the Internal Revenue Service's Use of the Internet (Statutory Review)

Audit Objective: Determine whether the IRS complies with Treasury policies on the use of the internet. *(Carryover from FY 2000)*

Systems Maintenance Contracts

Audit Objective: Determine the effectiveness of the IRS in monitoring equipment maintenance charges on active and inactive equipment and whether there is a need for maintenance based on the asset's value.

List of Planned Audits Headquarters Operations and Exempt Organizations Programs

Ten of the planned audits are in response to the Restructuring and Reform Act of 1998 (RRA 98) statutory reporting requirements. Five audits address statutory requirements related to the IRS' financial statements and other financial reports.

Lien Due Process Procedures (Statutory Review)

Audit Objective: Determine if Federal Tax Liens issued by the Internal Revenue Service (IRS) comply with legal guidelines set forth in 26 United States Code (U.S.C.) § 6320 and related internal guidelines.

Levy Due Process Procedures (Statutory Review)

Audit Objective: Determine whether levies issued by the IRS comply with legal guidelines set forth in 26 U.S.C. § 6330 and internal guidelines set forth in the IRS' Internal Revenue Manual.

Direct Contact With Taxpayers and Their Representatives (Statutory Review)

Audit Objective: Determine if the IRS is in compliance with 26 U.S.C. § 7521(b)(2) and (c) regarding directly contacting taxpayers.

Freedom of Information Act (Statutory Review)

Audit Objective: Determine if the IRS improperly withheld information requested by taxpayers in writing (Freedom of Information Act, Privacy Act, and 26 U.S.C. § 6103).

Joint Filer (Statutory Review)

Audit Objective: Determine whether the IRS is complying with the provisions of the Taxpayer Bill of Rights 2 and 26 U.S.C. § 6103(e)(8).

Fair Debt Violations (Statutory Review)

Audit Objective: Determine the number of Fair Debt Collection Practices Act violations resulting in IRS administrative or civil actions.

Enforcement Statistics (Statutory Review)

Audit Objective: Determine if the IRS is complying with restrictions on the use of enforcement statistics to evaluate employees.

Assessment Statute Extensions (Statutory Review)

Audit Objective: Determine if the IRS is complying with legal and internal guidelines when requesting and processing assessment statute extensions.

Illegal Tax Protesters (Statutory Review)

Audit Objective: Determine if the IRS is in compliance with IRS Restructuring and Reform Act of 1998 (RRA 98) § 3707 and its own guidelines to not designate taxpayers as Illegal Tax Protesters or any similar designation.

Seizures (Statutory Review)

Audit Objective: Determine if seizures conducted by the IRS are in compliance with 26 U.S.C. § 6330 through § 6344 and its own internal guidelines.
(Carryover from Fiscal Year (FY) 2000)

Criminal Investigation Division Undercover Operations Financial Reviews (Statutory Review)

Audit Objective: Determine whether financial records and statements prepared on Criminal Investigation Division (CID) undercover operations fairly present the results of the operations. (Carryover from FY 2000)

The Federal Financial Management Improvement Act of 1996 Remediation Plan Status Update (Statutory Review)

Audit Objective: Evaluate the IRS' progress in timely completing actions on the Federal Financial Management Improvement Act of 1996 (FFMIA) remediation plan, and determine whether new financial management weaknesses are appropriately included in plan updates.

Office of the National Drug Control Policy Financial Report (Statutory Review)

Audit Objective: Determine whether the IRS' Office of the National Drug Control Policy financial report fairly presents and properly accounts for funds provided for drug control programs.

Implementation of the Federal Financial Management Improvement Act of 1996 Remediation Plan (Statutory Review)

Audit Objective: Evaluate the effectiveness of the remediation plan remedies in resolving identified financial management weaknesses, and the progress the IRS has made in implementing the remediation plan.

(Carryover from FY 2000)

Criminal Investigation Division Financial Reviews (Statutory Review)

Audit Objective: Determine whether financial records and statements prepared on CID undercover operations fairly present the results of the operations.

Financial Management Realignment

Audit Objective: Evaluate the process used by the IRS to distribute financial plan budgets to the new operating divisions, and analyze the methods used to consolidate financial reports to determine the accuracy and validity of financial management information.

Implementation of Accounting Standards for Internally Developed Software

Audit Objective: Determine if the IRS has properly implemented new government financial accounting standards and Treasury guidance on the costs of internally developed software.

The Internal Revenue Service Fiscal Year 2000 Annual Program Performance Report

Audit Objective: Assess the adequacy and completeness of the IRS' Fiscal Year 2000 Annual Program Performance Report.

Employee Satisfaction Surveys

Audit Objective: Determine if the IRS processes ensure the validity and reliability of information reported for the employee satisfaction survey measure.

The Internal Revenue Service Program Evaluation Process

Audit Objective: Evaluate the IRS' methodology used to conduct program evaluations of major IRS activities, as envisioned by the Government Performance and Results Act of 1993 (GPRA) process.

Executive Management Support System Data Quality

Audit Objective: Determine if controls over data submitted to the Executive Management Support System are adequate to ensure valid and reliable information for use in executive management decisions and for inclusion in the Department of the Treasury's Performance Reporting System.

Validity and Relevance of Selected Internal Revenue Service Business Results Measures

Audit Objective: Determine whether the IRS performance measures adequately portray the results of its tax administration and business operations, and can be relied upon to make informed management decisions.

The Internal Revenue Service's Efforts to Implement the Government Performance and Results Act of 1993 and the Customer Satisfaction Survey Process in Fiscal Year 2000

Audit Objective: Evaluate the IRS' implementation of GPRA in FY 2000, including a determination of whether the Customer Satisfaction Survey process ensures the validity of the information used to measure customer satisfaction. *(Carryover from FY 2000)*

The Internal Revenue Service Strategic Plan for Fiscal Years 2000-2005

Audit Objective: Determine if the IRS Strategic Plan adheres to GPRA law and Office of Management and Budget and Treasury guidance. Determine if the Plan adequately reflects the IRS mission and strategic direction, and ensure that it will guide the IRS to demonstrable improvements in tax administration.

Criminal Investigation Division Business Results and Customer Satisfaction Measures

Audit Objective: Evaluate the reliability and relevance of the performance measures used by the CID in assessing its business results and customers' satisfaction with CID product and service lines. *(Carryover from FY 2000)*

PRIME Contract Task Order Development

Audit Objective: Determine whether task orders are prepared within the scope of the contract, and ensure that the billed rates, labor categories, and labor mixes are appropriate for the task orders.

Low Income Tax Clinics

Audit Objective: Evaluate the IRS procedures in awarding grants for low income tax clinics, and assess vendor adherence to each grant's operational and financial requirements to ensure that these clinics serve the needs of the intended populace and properly account for funds expended.

Defense Contract Audit Agency Contract Oversight

Audit Objective: Provide the IRS with cost and pricing information resulting from audits conducted by the Defense Contract Audit Agency on IRS contracts.

Contract Referral Analysis

Audit Objective: Assess the control implications on referrals from the Office of Investigations, and assist in evaluating contract information for adherence to contract laws and provisions.

Acquisition of Organizational Management Services

Audit Objective: Evaluate the administration of contracts for organizational management services to ensure that the IRS receives value commensurate with funds expended.

Advocate Employees Training and Reference Materials

Audit Objective: Determine if employees have the materials to take a more aggressive and proactive approach to advocacy.

Appeals Processes for Liens and Levies

Audit Objective: Determine if the IRS has effectively implemented the provisions of the RRA 98 when taxpayers exercise their rights to appeal the filing of liens or intents to levy.

Advocate Employees Account Adjustments

Audit Objective: Evaluate controls over employee adjustment capabilities and test appropriateness of transactions.

Appeals Fast Track Mediation

Audit Objective: Determine if taxpayers were afforded the opportunity for, and were provided, a trained mediator in a neutral setting.

Chief Counsel's Publication of Advice

Audit Objective: Determine if Chief Counsel controls assure compliance with the RRA 98 requirements for making advice documents available to the public.

Application for Taxpayer Assistance Orders

Audit Objective: Determine if RRA 98 criteria were implemented, including the expansion of the definition of hardship, and whether procedures were properly followed.

Appeals Examination Case Processing

Audit Objective: Determine if Appeals provides taxpayers timely dispute resolution, analyze barriers facing Appeals, and evaluate methods for streamlining the process.

Chief Counsel's Collection of User Fees

Audit Objective: Determine if the Office of the Chief Counsel properly administered the user fees received, collected the proper fees, and refunded fees when appropriate. *(Carryover from FY 2000)*

Effectiveness of Practitioner Disciplinary Program

Audit Objective: Evaluate the effectiveness of the program used by the IRS to identify and administer allegations of Circular 230 violations by practitioners. *(Carryover from FY 2000)*

The Electronic Disclosure Information Management System

Audit Objective: Assess whether the Electronic Disclosure Information Management System contains complete and accurate information for the universe of cases that were denied on the basis of 26 U.S.C. § 6103 and/or the Freedom of Information Act exemption (b)(7). *(Carryover from FY 2000)*

Taxpayer Complaint System

Audit Objective: Determine the IRS' progress in developing an integrated complaint database to improve the accuracy of the number of taxpayer complaints.

Uniform Asset Disposal Mechanism

Audit Objective: Determine whether the IRS has implemented a Uniform Asset Disposal Mechanism in accordance with RRA 98 § 3443.

Section 1203 Complaints

Audit Objective: Determine whether RRA 98 § 1203 allegations received by the IRS and the Treasury Inspector General for Tax Administration (TIGTA) are properly controlled and accurately reported in the Semiannual Report to the Congress. *(Carryover from FY 2000)*

Frivolous Return Program

Audit Objective: Determine if the Frivolous Return Program is in compliance with RRA 98 § 3707.

Collection Statute Extensions

Audit Objective: Determine if the IRS is complying with laws regarding the extension of the collection statute of limitations as revised by the RRA 98. *(Carryover from FY 2000)*

Accelerated Issuance Codes

Audit Objective: Determine if the IRS is effectively using accelerated issuance coding for taxpayer noncompliance reasons. *(Carryover from FY 2000)*

Consolidated Report of Actions Taken to Protect Taxpayers' Rights

Audit Objective: Determine the level of IRS compliance with certain RRA 98 provisions that protect taxpayers' rights. Consolidate all relevant audit results (including the TIGTA's and the General Accounting Office's) and IRS information to present the status of improvements in the protection of taxpayers' rights, and identify some of the difficulties the IRS faces in complying with these provisions. *(Carryover from FY 2000)*

Implementation of Government Entities

Audit Objective: Evaluate the status of the Tax-Exempt and Government Entities (TE/GE) Division's efforts to implement the Government Entities structure.

Annual Planning for Exempt Organizations Examination Resources

Audit Objective: Determine whether the annual planning process for applying Exempt Organizations examination resources is effective in addressing the most significant market segments.

Federal and State Tax Debt

Audit Objective: Evaluate the TE/GE efforts to address the federal and state tax debt.

User Fee Processing for Technical Determinations

Audit Objective: Evaluate the effectiveness of controls over user fees when processing customer applications for technical determinations.
(Carryover from FY 2000)

Tax-Exempt and Government Entities Information Technology Strategic Plan and Infrastructure

Audit Objective: Assess the effectiveness of the TE/GE efforts to deliver a strategic Information Technology plan.

Exempt Organizations Return Imaging Unit at Ogden Service Center

Audit Objective: Determine whether the project is achieving the intended goals and evaluate the cost/benefits of the operation.

Tax-Exempt and Government Entities Performance Measures

Audit Objective: Determine whether the TE/GE has effectively developed a process to secure performance data, determine baselines, and timely report the results.

Money Laundering Strategy

Audit Objective: Evaluate CID's efforts to deliver an effective money-laundering strategy.

Abusive Trusts Strategy

Audit Objective: Determine the effectiveness of CID's national strategy for delivering its abusive trusts program.

Criminal Investigation Undercover Operations

Audit Objective: Determine the effectiveness of CID's undercover program.

Effectiveness of Criminal Investigation's Strategic Planning Efforts

Audit Objective: Assess CID's ability to properly refocus resources into tax-related areas. (Carryover from FY 2000)

Internal Revenue Service Efforts to Address Criminal Investigation's Stand-Up Issues

Audit Objective: Determine the effectiveness of IRS' efforts to resolve CID stand-up issues. (Carryover from FY 2000)

Oversight of Webster Report Recommendations

Audit Objective: Determine the effectiveness of CID's efforts to oversee the continued implementation of Webster Report recommendations.

(Carryover from FY 2000)

List of Planned Audits

Wage and Investment Income Programs

All Wage and Investment Income Programs' reviews are discretionary audits.

One-Stop Service Goal

Audit Objective: Evaluate the effectiveness of the Internal Revenue Service's (IRS) efforts to provide one-stop walk-in service to taxpayers.

Accuracy of Tax Law Answers

Audit Objective: Evaluate the IRS' efforts to ensure the quality of tax law answers provided to walk-in taxpayers.

Walk-In Program Management Information System (Follow-up)

Audit Objective: Evaluate the accuracy and reliability of the Walk-In Program's data collection and measures.

Reducing Balance-Due Returns

Audit Objective: Determine the effectiveness of the IRS' proactive and reactive process to identify and prevent balance-due returns from Wage and Investment (W&I) taxpayers.

Volunteer Programs

Audit Objective: Evaluate the effectiveness of management's efforts to support the Volunteer Program to prepare for the year 2001 filing season.

Earned Income Tax Credit Baseline Studies

Audit Objective: Evaluate the IRS' process to validate the methodology and results of Earned Income Tax Credit (EITC) baseline studies.

Quality of Research Conducted

Audit Objective: Assess the effectiveness of the procedures the Research function has implemented to ensure that it provides accurate and professional services to the Congress, the W&I taxpayers, and the IRS.

Notice Tracking and Control

Audit Objective: Evaluate the effectiveness of the IRS' notice tracking and control processes.

Notice Improvement Initiatives

Audit Objective: Evaluate the effectiveness of the IRS' processes used to identify notices to be corrected.

Implementation of the National Change of Address

Audit Objective: Determine whether controls are in place to ensure taxpayers receive timely and quality service.

Alternative Minimum Tax

Audit Objective: Determine whether forms, instructions, and education efforts are sufficient for taxpayers to accurately file alternative minimum tax.

Integrated Filing and Paying

Audit Objective: Determine whether the IRS has effectively implemented methods of accepting electronic payments on electronically filed (e-filed), balance-due returns and has appropriately educated taxpayers on those methods.

Communications, Assistance, Research and Education Function Transition to Wage and Investment Income

Audit Objective: Determine whether the Communications, Assistance, Research and Education activity is operating effectively and efficiently.
(Carryover from Fiscal Year (FY) 2000)

Expanding Forms and Schedules for Electronic Filing

Audit Objective: Evaluate the IRS' process for identifying and implementing additional forms and schedules that can be e-filed, and educating the taxpayer on any new forms.

Reducing the Number of Resubmitted Electronically Filed Returns

Audit Objective: Assess the IRS' evaluation of the causes of e-filed return rejections and its efforts to educate taxpayers and practitioners on methods to overcome the causes.

Taxpayer Service Locations

Audit Objective: Evaluate the IRS' efforts to select and staff additional Taxpayer Service sites.

Expanding Individual Master File TeleFile

Audit Objective: Determine whether the IRS is adequately addressing the needs and concerns of W&I taxpayers that use the TeleFile programs.

Increasing Earned Income Tax Credit Participation

Audit Objective: Evaluate the IRS' efforts to gain taxpayer and preparer participation in claiming the EITC. *(Carryover from FY 2000)*

Innocent Spouse Inventory

Audit Objective: Determine how effectively the IRS is managing the inventory of innocent spouse claims.

Processing of Refund Returns

Audit Objective: Ensure that refund returns are accurately and timely processed.

Processing of Balance-Due Returns

Audit Objective: Ensure that balance-due returns are accurately and timely processed.

Level of Access

Audit Objective: Determine whether taxpayers' calls to the toll-free system are answered.

Quality of Service

Audit Objective: Determine whether taxpayers' calls to the toll free system are accurately and timely answered.

Processing of Earned Income Tax Credits – Paper Returns

Audit Objective: Determine whether the Earned Income Tax Credits on paper returns are accurately and timely processed. *(Carryover from FY 2000)*

Deposit Function in Wage and Investment Income Processing Centers

Audit Objective: Ensure that deposits are accurate and timely.

Notice Review

Audit Objective: Assess the impact of centralized printing and mailing of notices on the Notice Review Process, and determine if notices are adequately reviewed prior to issuance. *(Carryover from FY 2000)*

Payment Perfection Function in Wage and Investment Income Processing Centers

Audit Objective: Ensure that payments are adequately researched and applied to the correct account.

Manual Refunds

Audit Objective: Determine whether manual refunds are necessary and accurate.

Credit for the Elderly

Audit Objective: Determine if the IRS timely and accurately processes credits for the elderly and identifies taxpayer errors.

Education Credits

Audit Objective: Determine if the IRS timely and accurately processes education credits and identifies taxpayer errors.

Child and Dependent Care Credits

Audit Objective: Determine if the IRS timely and accurately processes child and dependent care credits and identifies taxpayer errors.

Adoption Credit

Audit Objective: Determine if the IRS timely and accurately processes adoption credits and identifies taxpayer errors.

Mortgage Interest Credit

Audit Objective: Determine if the IRS timely and accurately processes mortgage interest credits and identifies taxpayer errors.

Stand Up of the Customer Account Services Submission Processing Unit

Audit Objective: Ensure that critical tasks are complete.

Stand Up of the Customer Account Services Accounts Management Unit

Audit Objective: Ensure that critical tasks are complete.

Review of the Internal Revenue Service's Lockbox Program

Audit Objective: Evaluate the IRS' management control system over the Lockbox Program to determine whether the controls provide a reasonable assurance that taxpayer remittances are accurately and timely processed.

(Carryover from FY 2000)

Non-Rebate Erroneous Refunds

Audit Objective: Determine if non-rebate erroneous refunds are effectively resolved and analyzed to prevent future erroneous refunds.

Multi-Lingual Strategy

Audit Objective: Ensure that the IRS provides service to non-English speaking taxpayers.

Adjustments – Amended Returns

Audit Objective: Determine if the IRS is timely and properly processing amended returns.

Adjustments – Correspondence

Audit Objective: Determine if the IRS is timely and properly processing correspondence.

Implementation of the Internal Revenue Service Business Unit – Wage and Investment Income Customer Account Services

Audit Objective: Determine whether the IRS has implemented a sound management process to ensure that the W&I business unit meets the goals of the IRS Restructuring and Reform Act of 1998 (RRA 98). This process should provide an orderly transition that will not adversely impact the current level of service provided to taxpayers. *(Carryover from FY 2000)*

Credit Offsets

Audit Objective: Determine the adequacy of service provided to taxpayers in resolving problems and questions with credit offsets.

Electronic Tax Administration Strategy

Audit Objective: Determine whether the IRS is adequately addressing the electronic filing requirements of the RRA 98, and has established appropriate timelines and oversight to ensure that these requirements are met.

(Carryover from FY 2000)

Electronic Tax Administration Multi-Level Practitioner Program

Audit Objective: Determine whether the IRS is timely implementing its multi-level practitioner program and whether providing different levels of customer service to electronic return originators will impact taxpayers. *(Carryover from FY 2000)*

Duplicate Dependent Tax Claims (Follow Up)

Audit Objective: Determine if the IRS has improved the efforts to identify and stop multiple taxpayer uses of the same social security numbers (SSN) for dependents.

Classifying and Selecting Tax Returns for Examination

Audit Objective: Evaluate the IRS' process of classifying and selecting tax returns for examination in the service centers.

Service Center Examination Toll-free Services

Audit Objective: Determine if the IRS' service center examination toll-free operations efficiently support taxpayer compliance.

Child and Dependent Care Credit Compliance

Audit Objective: Assess the effectiveness of the IRS' process to ensure that taxpayers who claim the Child and Dependent Care Credit comply with applicable laws and regulations.

Child Tax Credit Compliance

Audit Objective: Determine if the IRS has an effective process to ensure that taxpayers who claim key credits comply with applicable laws and regulations.

Streamlined Installment Agreement Program

Audit Objective: Evaluate the effectiveness of the streamlined installment agreement program in promoting individual taxpayer compliance.

Earned Income Tax Credit Claims Using Nonwork Numbers

Audit Objective: Determine if the IRS has an effective process to deter and detect Earned Income Tax Credit claims using nonwork numbers.

Education Tax Credit Compliance

Audit Objective: Determine if the IRS has an effective process to ensure that taxpayers who claim the Education Tax Credit comply with applicable laws and regulations.

Internal Revenue Service's Process To Detect Duplicate Social Security Number Use

Audit Objective: Determine whether the IRS has an effective process to deter and detect tax refund overclaims resulting from multiple uses of the same dependent SSN. *(Carryover from FY 2000)*

Managing Individual Tax Penalty Program Process

Audit Objective: Determine if the Internal Revenue Service has an effective and efficient process to administer penalties (assessments and abatements) impacting individual taxpayers. *(Carryover from FY 2000)*

Implementing The Dependent Database

Audit Objective: Assess the effectiveness of the IRS' design, planning, and implementation of the Dependent Database. *(Carryover from FY 2000)*

Automated Collection System Inventory Transition

Audit Objective: Determine if the IRS' plans will ensure the accurate, timely, and effective transition of inventories.

Revision and Use of Policy P-5-133

Audit Objective: Determine the effectiveness of restricting closures on taxpayer cases that are in certain collection statuses.

New Federal Payment Levy Program

Audit Objective: Evaluate the effectiveness of the IRS' new federal payment levy program in ensuring compliance.

Release of Fully Satisfied Wage Levies

Audit Objective: Evaluate the process the IRS has in place to ensure timely release of fully satisfied wage levies by individual taxpayers.

Underreporter Program Inventory Transition

Audit Objective: Determine if the IRS' plans will ensure the accurate, timely, and effective transition of inventories.

Case Selection Process for the Automated Underreporter Program

Audit Objective: Determine if the IRS has an effective process in selecting cases with underreported income.

Methodology of the Nonfiler Strategy

Audit Objective: Determine whether the IRS is effectively and timely implementing its nonfiler strategy for W&I taxpayers.

Substitute for Return/Automated Substitute for Return Opportunities

Audit Objective: Determine if the IRS is effective and efficient in its efforts to identify Substitute for Return and Automated Substitute for Return opportunities for individual taxpayers.

Earned Income Tax Credit Appropriation Spending

Audit Objective: Determine if the IRS has effective controls to ensure that the EITC appropriation is being spent effectively and efficiently.

Measuring the Effectiveness and Efficiency of Automated Underreporter Program

Audit Objective: Determine if the IRS has an effective process to measure the effectiveness and efficiency of the Automated Underreporter Program for W&I taxpayers. *(Carryover from FY 2000)*

Level of Service Measure for Toll-free Telephone Operations

Audit Objective: Assess the reliability of the level of service measure that the IRS uses for the toll-free telephone operations. *(Carryover from FY 2000)*

List of Planned Audits *Small Business and Corporate Programs*

All Small Business and Corporate Programs' reviews are discretionary audits.

Centralized Examination Return Selection Process – Discriminant Function

Audit Objective: Determine whether the new selection process is effectively implemented to identify and select Discriminant Function (DIF) returns for examination.

Centralized Examination Return Selection Process – Non-Discriminant Function

Audit Objective: Determine whether the new selection process is effectively implemented to identify and select non-DIF returns for examination.

Bankruptcy Releases

Audit Objective: Determine whether the Internal Revenue Service (IRS) complies with Bankruptcy Code Discharge procedures and resumes appropriate collection actions.

Processing Bankruptcy Payments

Audit Objective: Determine whether IRS properly files proofs of claim and receives the proper payments.

Filing Federal Tax Liens

Audit Objective: Determine whether Federal Tax Lien policies and procedures ensure that the Government's interest is protected.

Examination Nonfiler Program

Audit Objective: Determine whether activities taken by the Examination function have been effective in bringing nonfilers into compliance.

Collection Nonfiler Program

Audit Objective: Determine whether activities taken by the Collection function have been effective to bring nonfilers into compliance.

Offers in Compromise Effective Tax Administration Cases

Audit Objective: Determine if procedures for accepting offers based on Effective Tax Administration are being consistently, uniformly, and appropriately applied. (Carryover from Fiscal Year (FY) 2000)

Tip Rate Determination/Education Program

Audit Objective: Determine whether the Tip Rate Determination Program maximizes reported tip income while still protecting taxpayer rights. (Carryover from FY 2000)

Initial Examination Case Control Issues in the New Small Business and Self-Employed Organization

Audit Objective: Determine whether controls over case work in the Small Business/Self-Employed Division (SB/SE) are adequate to ensure that Examination cases are properly assigned, transferred, and controlled.

Examination Case Processing Activities Under the New Support and Territory Concept

Audit Objective: Determine whether the new support concept provides for the timely and accurate closing of Examination cases.

Initial Collection Case Control Issues in the New Small Business and Self-Employed Organization

Audit Objective: Determine whether controls over case work in SB/SE are adequate to ensure that Collection cases are properly assigned, transferred, and controlled.

Centralized Collection Case Management Process

Audit Objective: Determine whether the new case selection process will ensure that cases are assigned for Collection field action to maximize compliance with tax laws.

Internal Revenue Service Region and District Stand-Down Process

Audit Objective: Determine the effectiveness of IRS actions to "stand down" the old IRS organization of regional and district offices.

Trust Fund Recovery Penalty Program

Audit Objective: Determine whether the Trust Fund Recovery Penalty Program is effectively used as a collection tool. (Carryover from FY 2000)

Examination Referrals to Criminal Investigation

Audit Objective: Determine whether Examination employees refer cases with potential fraud issues to Criminal Investigation when appropriate.

Transition Plans for Ogden and Cincinnati Service Centers' Migration to Solely Business Processing Sites

Audit Objective: Determine if all transition related efforts in changing to specialized Individual Master File (IMF) and Business Master File (BMF) processing at IRS Submission Processing Centers have been adequately planned, and are efficient and economical to ensure all returns affected by the changes are properly received and processed.

Decision to Migrate to Eight Individual and Two Business Processing Sites

Audit Objective: Determine what factors were considered in the decision to centralize processing. Determine whether the benefits and risks were quantified and whether the decision to centralize seems justified.

Transition of Business Lockbox Bank Processing to Business Submission Processing Centers

Audit Objective: Determine whether the actions taken to transition the BMF lockbox banks processing are adequate and effective.

Correlation of Information on Partnership Schedules K-1 to Taxpayers' Income Tax Returns

Audit Objectives: Determine whether all Partner's Share of Income, Credits, Deductions, etc. (Schedules K-1) should be processed and available for matching, and whether underreporter matching programs are perfected and properly functioning.

Implementation of the Requirements for Filing Partnership Returns Electronically

Audit Objective: Determine whether preparations have been made to ensure timely and accurate processing of electronically filed United States Partnership Return of Income (Forms 1065) and Schedules K-1, in compliance with the modified requirements of the Tax Reform Act of 1997.

Potential Business Master File Refund Schemes

Audit Objective: Evaluate existing controls to determine if they are sufficient to identify and stop potential BMF refund schemes. *(Carryover from FY 2000)*

Inaccurate Internal Revenue Service Application of Tax Rates for Personal

Service Corporations

Audit Objective: Review the accuracy of IRS application of taxes for personal service corporations.

Restricted Interest on Business Accounts

Audit Objectives: Determine if accounts are being properly restricted, the interest computations are being done correctly, and improvements have been made (or are being planned) in reviews, operating procedures and instructions, and software applications to improve overall quality and reduce risks.

Quality of Lockbox Processing

Audit Objective: Evaluate whether the IRS has acted on past audit reports to determine if using lockbox banks results in a savings or lost revenue.

Federal Tax Deposits

Audit Objective: Determine whether taxpayers deposited the proper amount of money, the Federal Tax Deposit (FTD) payments were timely, taxpayers' payments are correctly posted to taxpayers' accounts, and misapplied payments are properly handled.

Undelivered Business Notices

Audit Objective: Evaluate the effectiveness of IRS' efforts to reduce undeliverable mail.

Forms 1120/1120S Designations by the Internal Revenue Service

Audit Objective: Determine if the IRS obtained input from taxpayers in correcting the United States Corporation Income Tax Return (Form 1120)/United States Income Tax Return for an S Corporation (Form 1120S) designations for their businesses.

Gift Tax Extensions (Follow Up)

Audit Objective: Determine if the IRS properly implemented planned corrective actions to the prior audit report.

Estimated Tax Penalty Complexity and Burden Issue

Audit Objectives: Evaluate the number of taxpayers who had "self-assessed" the estimated tax penalty and submitted an Underpayment of Estimated Tax by Individuals, Estates, and Trusts (Form 2210) with their 1998 returns, and determine whether these taxpayers were legally required to file Form 2210. *(Carryover from FY 2000)*

Evaluation and Prioritization of the Combined Annual Wage Reporting Program

Audit Objectives: Determine whether the IRS processing of employment tax returns (Forms 94X) Combined Annual Wage Reporting (CAWR) cases justifies additional funding, and evaluate how Form 94X CAWR cases are ranked and selected to ensure highest yield cases are worked.

Principal Business Codes

Audit Objectives: Determine whether the Principal Business or Professional Activity Codes are accurately entered into IRS' systems; whether the Principal Business Codes are relevant in the new IRS organizational structure; and how dependent the new IRS Business Units will be on the accuracy of these codes.

Effectiveness of the Mentoring and Monitoring Initiative for New Employers

Audit Objective: Determine whether the IRS is adequately taking actions to ensure that business taxpayers receive the proper Outreach, Education and Assistance in order to comply with tax laws.

Corporate Tax Shelters

Audit Objective: Determine whether the efforts of the IRS are effectively identifying and reducing abusive corporate tax shelters.

Issue Management – Pilots – Single Taxpayer

Audit Objective: Determine whether the pilots have program controls, provide decision-making criteria, demonstrate a cost/benefit, and ensure a proper amount of tax results.

Comprehensive Case Resolution Program (Pilots)

Audit Objective: Determine whether the pilots have program controls, provide decision-making criteria, demonstrate a cost/benefit, and ensure a proper amount of tax results.

Foreign Controlled Corporations

Audit Objective: Determine the basis for the large discrepancy between Foreign Controlled Corporations and domestic corporation taxes paid on revenue.

Management of Human Capital

Audit Objective: Determine whether the Large and Mid-Size Business Division's strategy to retain, recruit, and train employees is in accordance with identified best practices.

Form 1042S Processing (Follow Up)

Audit Objective: Determine whether previously identified conditions have been corrected.

E-Commerce

Audit Objective: Determine whether IRS is taking effective steps to prepare for examinations of e-commerce transactions.

Joint Committee Cases

Audit Objective: Determine whether the IRS portion of the Joint Committee tax refund process is efficient.

The Government Performance and Results Act of 1993: Review of Customer Service Business Measures

Audit Objective: Determine whether the Customer Service business measures meet the Government Performance and Results Act of 1993's (GPRA) requirements and can be verified and validated.

Business Master File Notice Clarity Progress

Audit Objective: Determine whether the IRS has made substantial progress in improving notices to business taxpayers.

Tolerances on Balance-Due Notice Accounts

Audit Objective: Determine whether the IRS has established tolerances on balance-due accounts in a manner that is cost-beneficial and in accordance with laws and regulations.

Evaluation of the Internal Revenue Service Adaptation of Call Center Best Practices

Audit Objective: Evaluate the IRS' adaptation of call center industry best practices.

Interest Paid on Subsequent Returns

Audit Objective: Determine whether interest paid on subsequent returns is in compliance with laws, regulations, and Congressional intent.
(Carryover from FY 2000)

Providing Correct Entity Data on Information Returns

Audit Objective: Determine whether the IRS applies penalties to payers on information documents consistently and in accordance with laws and regulations.
(Carryover from FY 2000)

Taxpayers Receiving Foreign Source Income (Follow up)

Audit Objective: Determine whether actions have corrected the problems previously identified or whether the risks still exist.
(Carryover from FY 2000)

Monitoring Compliance of Foreign Investors in Partnerships

Audit Objective: Determine whether the IRS effectively implements U.S. tax laws and regulations on domestic partnerships with foreign investors.
(Carryover from FY 2000)

Evaluation of the Referral-Mail Program

Audit Objective: Determine whether the Referral-Mail (R-mail) Program effectively and efficiently responds to taxpayer inquiries.

Complexity Analysis of Referral-Mail Questions

Audit Objective: Determine the complexity level of the R-mail questions, and assess at what level the questions can be answered.

Service Center Examination Branch Identification of Abusive Trusts

Audit Objective: Determine whether the IRS has an effective program to identify abusive trusts and refer them to Criminal Investigation.

Benford's Law to Identify Erroneous Fuel Tax Claims

Audit Objective: Determine whether Benford's law tools can be used to identify

erroneous or fraudulent fuel tax credits. *(Carryover from FY 2000)*

Review of the Corporate Tax Return Processing Program

Audit Objective: Evaluate the IRS' processes and the taxpayers' ability to comply with legislative provisions that we determine to have a significant impact on returns processing. This will include an assessment of systems that the IRS has in place to identify and correct processing problems. *(Carryover from FY 2000)*